

AR06

MAJESTIC WILEY

1976 ANNUAL REPORT





Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Maje0327_1976



FINANCIAL HIGHLIGHTS

	1976	1975
Total revenues.	\$125,093,000	\$108,106,000
Net income.	\$ 2,819,000	\$ 3,534,000
Earnings per share	34.0c	42.7c
Cash flow from operations	\$ 5,576,000	\$ 8,020,000

Market price range per share (high/low per quarter ended):

March 31	\$3.20 - \$2.40	\$3.90 - \$1.65
June 30	\$2.65 - \$2.20	\$3.50 - \$3.10
September 30	\$2.40 - \$1.50	\$3.90 - \$2.74
December 31	\$2.31 - \$1.50	\$2.84 - \$2.15



J.M. Bankes, Chairman



V.N. Osadchuk, President

TO OUR SHAREHOLDERS

Gross revenues in 1976 totalled \$125,093,000 and net income for the year amounted to \$2,819,000 or 34.0c per share. Comparative figures for the year ended December 31, 1975 were gross revenues of \$108,106,000 and net income of \$3,534,000 or 42.7c per share. The decrease in net income for 1976 was primarily attributable to the non-resolution by the year end of certain contractual matters relating to the Trans Alaska Pipeline Project. Although we expect that these matters will be resolved in the near future, no portion of any additional revenue has been reflected in the attached consolidated financial statements, in accordance with your Company's accounting policy discussed in Note 1(b) thereto.

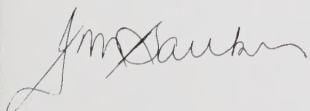
Perini Arctic Associates, a joint venture in which your Company has a 75% interest, was the only contractor to complete its section during 1976 of the Trans Alaska Pipeline Project. This achievement is due in large part to the fine efforts of the many dedicated people who worked on Section 2. Your Company has been proud to have played such an integral part in the construction of the largest privately funded construction project in history.

Big inch pipeline construction in Canada was at a relatively low level of activity during 1976. As a result, your Company participated in the construction of only 310 miles of pipeline compared to approximately 767 miles in 1975. The level of projected pipeline construction activity in Canada for 1977 does not appear to be significantly higher than 1976 unless a start on the pipelines to move Alaskan and Northern Canadian oil and gas is made.

J. L. Cox & Son, Inc. enjoyed a satisfactory year in 1976 and indications are that pipeline construction in the United States could be higher in 1977. Falcon Transport Ltd. maintained a level of operations in 1976 comparable to 1975 and is expected to do a similar volume in 1977.

It has become evident to your Company's management that construction opportunities must be aggressively pursued on a global basis. To this end, we actively sought and ultimately attained pipeline construction work in India during 1976. This project is scheduled for completion by March 31, 1977 and could lead to further participation in construction in this area. Opportunities are being carefully investigated in other parts of the world and with our resources in skilled manpower, finances and equipment, we are optimistic that our endeavors will meet with success. Closer to home, we are studying the desirability of creating a pipeline construction presence in the United States.

As in the past, the continuing success of your Company is dependent upon the contribution and loyalty of our employees and directors as well as the assistance of our financial associates, co-venturers and shareholders. To all, we extend our sincere and heartfelt appreciation.



J.M. Banks, Chairman



V.N. Osadchuk, President

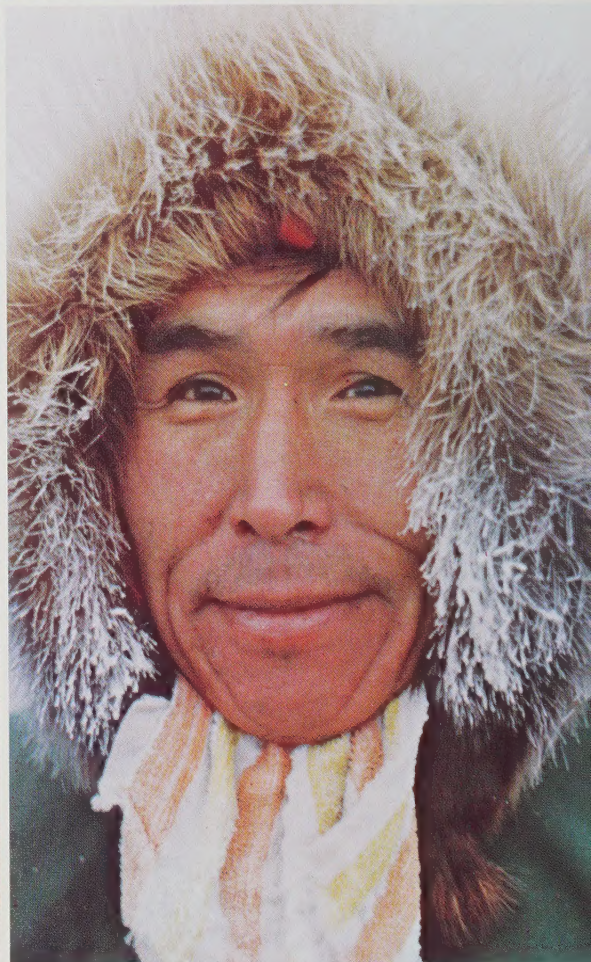
1



4



5



REVIEW OF THE YEAR



Although gross revenues increased during 1976 to \$125,093,000 from \$108,106,000 (an increase of 16%), net income declined 20% in 1976 to \$2,819,000 from \$3,534,000 in 1975. Earnings per share were 34.0c in 1976 and 42.7c in 1975. The results of both years include your Company's share of operations of Perini Arctic Associates, a joint venture in which your Company has a 75% interest.

Your Company's financial strength has increased substantially during the year with working capital now totalling \$7,967,000 at December 31, 1976, an increase of \$2,611,000 from 1975, resulting in a current ratio of 1.8 to 1.0.

Unquestionably the highlight of 1976 was the successful completion by Perini Arctic Associates of the 149 mile Section 2 of the Trans Alaska Pipeline Project. A source of considerable pride to us was the fact that Section 2 was the only section on the entire project to complete construction in 1976 including backfill of below ground pipe, insulation of above ground pipe and hydrostatic testing of the 149 miles. This achievement was accomplished notwithstanding that Section 2 was the second longest single section on the project and that actual construction began the latest of any section due to the lack of client supplied equipment and accommodation. Some of the more interesting statistics relating to Section 2 construction are as follows:

- nearly 6,000,000 cubic yards of aggregate were used in the work pad construction.
- at peak periods, over 2,400 persons were employed.
- over 14,000 holes for vertical support members (piles) were drilled for the above ground pipe support system.
- the longest pipeline aerial suspension bridge (1,200') was built across the Tanana River.
- over 1,900 major pieces of construction equipment were used on Section 2.

Although major construction activities were concluded on November 7, 1976, certain contractual matters relating to equipment rentals, fee for additional scope of work and change orders, demobilization and repair costs were not concluded prior to year end. Since these matters have not yet been resolved, no portion of any additional revenue has been reflected in the accounts.

During 1976, your Company was awarded contracts in Canada for the construction of approximately 162 miles of 16" pipeline and for the stockpiling or hauling and stringing of approximately 148 miles of 36" pipe. In addition, your Company was successful in

1,3,6 & 7: People play a vital role in the Company's remote area support service operations. Shown here are four out of many dedicated people who contribute to the exploration and development of hydrocarbon reserves in the Canadian Arctic.

Some of the equipment utilized by the Company in the Parsons Lake area of the Northwest Territories.

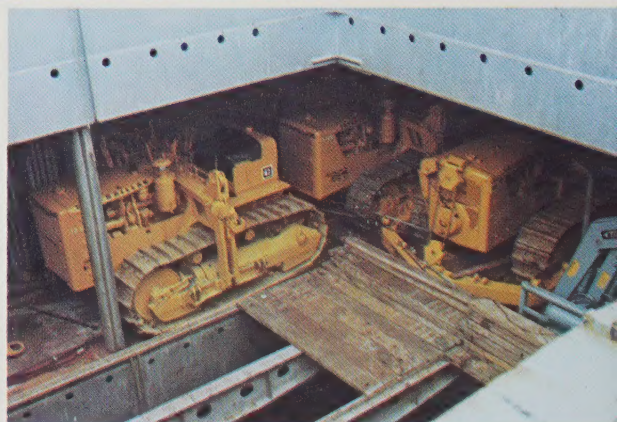
2: one of six large "desert trucks" being used by the Company in the Arctic.

4: D8 tractors digging a sump pit to permit disposal of drilling mud and other materials used in drilling operations.

5: a small all terrain vehicle used to construct ice bridges and test the bearing strength of fresh and salt water ice.



2





1,2 & 3: A small portion of the pipeline equipment spread being loaded for shipment by ocean freighter to India. The equipment was subsequently off loaded in Calcutta and shipped by rail to the job site in the State of Assam in northeastern India.

4 & 5: Company crews constructing a portion of the Sarnia to Montreal 30" oil line.



obtaining a contract for the re-construction of a portion of a highway near Dawson City in the Yukon Territory. Work on the construction of the 58½ mile section of the Dempster Highway from milepost 178 to milepost 236 was completed by your Company in 1976. As discussed in Note (6)a to the accompanying financial statements, your Company has filed a substantial claim as a result of revised project requirements in this regard.

Your Company's wholly-owned subsidiary engaged in providing remote area support services, Falcon Transport Ltd., remained active in 1976. Currently, services are being provided and equipment is being utilized for two major oil and gas exploration companies in the Mackenzie Delta region of the Northwest Territories. The level of activity for Falcon Transport Ltd. in 1977 is expected to be comparable with that experienced during 1976.





J. L. Cox & Son, Inc., your Company's wholly-owned subsidiary engaged in pipeline stringing activities in the United States, performed at a reasonable level of activity in 1976. It participated in either hauling, stringing or stockpiling approximately 700 miles of pipe in Indiana, Kansas, Oklahoma, Iowa and North Dakota during the year. Pipeline construction activity appears to be gathering momentum in the United States and your Company will be seeking opportunities to participate.

In accordance with your management's plan to broaden the base of operations, your Company was successful in obtaining work during 1976 in India. Majestic Wiley Contractors Limited was named as technical advisor and consultant to Engineering Projects (India) Ltd., a government of India enterprise, for the construction of 131 miles of 16" oil pipeline in northeastern India. Your Company's participation in the project includes the provision of specialized pipeline construction equipment and management, supervisory and construction personnel. Work commenced in October, 1976 and is expected to be completed by March 31, 1977. Your Company is currently pursuing work in a number of countries and we are optimistic that participation in major projects will result.

Management

The current year proved to be the start of well earned retirements for two of your Company's senior officers. Effective November 30, 1976, Mr. L. B. Finlayson, Jr., formerly Senior Vice President, retired after 22 years of service. On December 2, 1976, Mr. W. A. Rose, formerly Chairman of the Board and Chief Executive Officer, retired after 20 years of service. Both Mr. Rose and Mr. Finlayson made notable contributions to the Company and their counsel and leadership will be missed. Effective December 6, 1976, Mr. J. M. Bankes was elected Chairman of the Board and Mr. V.N. Osadchuk, President, was given the additional responsibility of Chief Executive Officer.



The following photographs relate to Section 2 of the Trans Alaska Pipeline Project.

1: Typical portion of pipeline right of way during construction of below ground pipe.

2: Preparing the vertical support members prior to 48" pipe installation across a stream near McGuiness Fault.

3: One of many areas in Section 2 typical of a transition from the above ground mode to the below ground mode of construction.

4: Typical portion of pipeline right of way after the line has been backfilled and tested showing the results of the extensive re-vegetation program.



1: One of the drilling crew inspecting the bits used in drilling holes for vertical support members.

2: The longest pipeline aerial suspension bridge in the entire project—the 1,200' crossing of the Tanana River at the confluence with the Delta River.

3: Application of insulation with the "manipulator". The insulation is required in order to reduce the heat loss from the hot flowing crude oil.

4: Setting one of many 48" main line valves.

Photo on next page: The finished pipeline showing the thermal devices which maintain a frozen condition in the permafrost at the bottom of the vertical support members.









CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1976

(With 1975 figures for comparison)

	1976	1975
Revenues (Notes 1(b) and (f))	\$125,093,000	\$108,106,000
Cost of Operations (Note 1(f))	117,699,000	98,582,000
Gross Profit From Operations	7,394,000	9,524,000
General And Administrative Expenses	1,700,000	1,861,000
Income From Operations	5,694,000	7,663,000
Other Items:		
Other income and expenses, net	544,000	242,000
Interest on long-term debt	(240,000)	(695,000)
Total other items	304,000	(453,000)
Income Before Income Taxes	5,998,000	7,210,000
Provision For Income Taxes (Note 1(e))	3,179,000	3,676,000
Net Income	\$ 2,819,000	\$ 3,534,000
Earnings Per Share:		
On weighted average number of shares		
outstanding (1976 - 8,269,793 shares;		
1975 - 8,262,375 shares)	34.0c	42.7c

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1976

(With 1975 figures for comparison)

	1976	1975
Balance, Beginning of Year	\$4,440,000	\$ 906,000
Net Income	2,819,000	3,534,000
Balance, End of Year	\$7,259,000	\$4,440,000

The accompanying notes are an integral part of the consolidated financial statements.

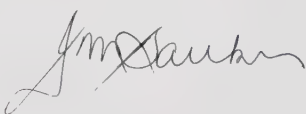


CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1976

(With 1975 figures for comparison)

Assets

	1976	1975
Current Assets:		
Cash, including certificates of deposit of \$8,941,000 (1975 - \$2,968,000)	\$ 8,799,000	\$ 2,784,000
Accounts receivable	3,294,000	4,649,000
Unbilled work (Note 1(b))	3,724,000	1,599,000
Equity in construction joint ventures including note receivable, at under- lying book value (Note 1(f))	1,743,000	1,233,000
Prepaid expenses	127,000	559,000
Total current assets	<u>17,687,000</u>	<u>10,824,000</u>
Property And Equipment, at cost (Note 1(d)):		
Land	23,000	25,000
Buildings and improvements	907,000	815,000
Construction equipment	37,780,000	37,617,000
Other	196,000	201,000
	38,906,000	38,658,000
Less accumulated depreciation	<u>22,909,000</u>	<u>19,690,000</u>
Net property and equipment	<u>15,997,000</u>	<u>18,968,000</u>
Operating Authorities And Incorporation Expenses, at cost	<u>193,000</u>	<u>193,000</u>
Approved by the Board:	<u>\$33,877,000</u>	<u>\$29,985,000</u>
 Director		
 Director		

Liabilities and Shareholders' Equity

	1976	1975
Current Liabilities:		
Accounts payable	\$ 448,000	\$ 794,000
Accrued liabilities	812,000	737,000
Advance payment on contract in progress		
(Note 2)	1,374,000	—
Deferred contract revenue (Note 1(b))	1,194,000	349,000
Income taxes payable	5,843,000	3,190,000
Accrual for loss on contract in progress		
(Note 6(a)).	—	349,000
Current portion of long-term debt		
(Note 3)	49,000	49,000
Total current liabilities	<u>9,720,000</u>	<u>5,468,000</u>
Long-Term Debt (Note 3)	<u>3,116,000</u>	<u>5,209,000</u>
Deferred Income Taxes (Note 1(e))	<u>2,885,000</u>	<u>3,975,000</u>
Shareholders' Equity:		
Capital stock (Note 4):		
Authorized - 20,000,000 shares		
without nominal or par value		
Issued and fully paid - 8,269,866		
shares (1975 - 8,266,533 shares)	7,815,000	7,811,000
Contributed surplus	3,082,000	3,082,000
Retained earnings	<u>7,259,000</u>	<u>4,440,000</u>
Total shareholders' equity	<u>18,156,000</u>	<u>15,333,000</u>
	<u>\$33,877,000</u>	<u>\$29,985,000</u>



CONSOLIDATED STATEMENT OF CHANGES IN WORKING CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 1976

(With 1975 figures for comparison)

	1976	1975
Source Of Working Capital:		
Net income	\$2,819,000	\$3,534,000
Depreciation	3,871,000	4,506,000
Deferred income taxes	(1,090,000)	55,000
(Gain) on disposal of property and equipment	(24,000)	(75,000)
Provided by operations	5,576,000	8,020,000
Disposals of property and equipment	283,000	502,000
Proceeds from stock options exercised	4,000	10,000
Working capital provided	<u>5,863,000</u>	<u>8,532,000</u>
Use Of Working Capital:		
Additions to property and equipment	1,159,000	1,936,000
Reduction of long-term debt	<u>2,093,000</u>	<u>3,991,000</u>
Working capital used	<u>3,252,000</u>	<u>5,927,000</u>
Increase In Working Capital	2,611,000	2,605,000
Working Capital, Beginning of Year	<u>5,356,000</u>	<u>2,751,000</u>
Working Capital, End of Year	<u>\$7,967,000</u>	<u>\$5,356,000</u>

The accompanying notes are an integral part of the consolidated financial statements.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
MAJESTIC WILEY CONTRACTORS LIMITED:

We have examined the consolidated balance sheet of Majestic Wiley Contractors Limited (an Alberta corporation) and its subsidiaries as of December 31, 1976 and 1975 and the related consolidated statements of income, retained earnings and changes in working capital for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Majestic Wiley Contractors Limited and its subsidiaries as of December 31, 1976 and 1975 and the results of their operations and the changes in their working capital for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Calgary, Alberta
February 8, 1977.

ARTHUR ANDERSEN & CO.
CHARTERED ACCOUNTANTS



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1976 and 1975

1. SUMMARY OF ACCOUNTING PRINCIPLES

a) Principles of Consolidation

The consolidated financial statements are expressed in Canadian dollars and include the accounts of Majestic Wiley Contractors Limited and its subsidiaries, all of which are wholly-owned; Falcon Transport Ltd., Specialty Construction & Equipment Ltd., J. L. Cox & Son, Inc., Liard Construction Company Limited, Norm Keglovic Contracting Ltd., Klondike Contractors Limited and D. K. Industries Ltd.

All significant intercompany transactions and balances have been eliminated in consolidation.

b) Method of Accounting for Income on Contracts

Profits from construction contracts are recognized on the percentage of completion basis. The percentage of completion is determined by relating the actual cost of work performed to date, to the current estimated total cost of the respective contracts. When the current estimated costs to complete indicate a loss, such losses are recognized immediately for accounting purposes. Income from claims is recorded in the periods such claims are resolved.

Unbilled work represents the excess of contract costs and profits recognized to date, on the percentage of completion accounting method, over billings to date on certain contracts. Deferred contract revenue represents the excess of billings to date, over the amount of contract costs and profit recognized to date, on the percentage of completion accounting method for the remaining contracts.

c) Current Assets and Current Liabilities

Current assets and current liabilities on the consolidated balance sheet are based on a one year operating cycle. A change was made during 1976 from a two year operating cycle to conform to industry practice. Such change (all of which relates to the current portion of long-term debt) has been applied retroactively and resulted in an increase in working capital used of \$1,361,000 in 1976 and \$1,366,000 in 1975 and an increase in the balance of working capital at December 31, 1974 of \$2,776,000.

d) Depreciable Property and Equipment

Depreciation has been provided on the declining-balance method for approximately 75% of the depreciable property and on the straight-line method for the remaining 25%. The estimated lives used are as follows:

Buildings and Improvements	10 to 25 years
Construction Equipment	3 to 10 years
Other Equipment	10 years

e) Income Taxes

The tax effects of all income and expense transactions are included in each year's consolidated statement of income regardless of the year the transactions are reported for tax purposes.

The deferred income taxes arise primarily from the difference between the depreciation claimed for tax purposes and the depreciation recorded in the accounts.

f) Joint Ventures

Investments in joint ventures are accounted for on the equity basis whereby investments are carried on the consolidated balance sheet at cost plus the Company's share of income to date less cash distributions. Included in investment in joint venture is a 6% note receivable due December 29, 1977 from Perini Corporation, which note was received by the Company as a partial non cash distribution from the joint venture. Although the note is due on December 29, 1977, the Company will receive its share of cash distributions made prior to that date should funds become available in the joint venture. The Company's pro rata share of revenue and expenses and changes in working capital have been included in the consolidated statements under the proportionate consolidation method.

Included in the consolidated statement of income is the Company's share of revenue relating to the construction of Section 2 of the Trans Alaska Pipeline Project. The amounts so included are approximately 87% and 79% respectively for the years ended December 31, 1976 and 1975. The Company's participation in the construction of Section 2 has now been completed.

g) Foreign Exchange Accounting

Transactions with, and the Company's share of revenue and expenses and changes in working capital of a United States based joint venture, as well as some balance sheet accounts resulting therefrom, are included in the consolidated financial statements on the basis on one Canadian dollar being equal to one American dollar. Likewise, long-term debt, that is repayable in American funds, is included in the consolidated financial statements on the basis of the Canadian dollar and the American dollar being equal. This rate approximates the year end exchange rate and the average rate for the year.

2. ADVANCE PAYMENT ON CONTRACT IN PROGRESS

Under the terms of a contract with Engineering Projects (India) Ltd., the client advanced \$1,600,000 prior to the commencement of work. Such advance payment is secured by an irrevocable letter of credit to the client in the amount of the advance. Both the advance payment and the amount of the letter of credit will be reduced on a proportional basis upon the payment of monthly progress billings by the client.

3. LONG-TERM DEBT

	<u>1976</u>	<u>1975</u>	<u>Rate of Interest</u>
Bank term loan, repayable at \$683,333 U.S. per quarter beginning April 1, 1975 (principal only)	\$ —	\$2,045,000	1¼ % over Royal Bank of Canada U.S. prime rate
Lease purchase contract, repayable at \$4,909 U.S. per month (principal and interest)	111,000	153,000	13.32%
Convertible debenture, to Perini Limited, due March 1, 1980	3,000,000	3,000,000	7%
Mortgage payable, due in annual installments of \$6,000 U.S. plus interest	54,000	60,000	8%
	<u>3,165,000</u>	<u>5,258,000</u>	
Due within one year	<u>49,000</u>	<u>49,000</u>	
	<u>\$3,116,000</u>	<u>\$5,209,000</u>	

The bank term loan was secured by a floating charge debenture on all of the Company's assets. Repayment of the funds was guaranteed by the parent company (Perini Limited) and could be made in advance of the due date without an early payment penalty. At December 31, 1975, \$4,105,000 had been repaid in advance.

The lease purchase contracts are collateralized by the pledge of specific equipment (cost \$219,000).

The 7% convertible debenture is convertible into 300,000 shares without nominal or par value at any time prior to March 1, 1980.

The mortgage payable is secured by the land and improvements of a subsidiary company (cost \$90,000).

Payments on long-term debt over the next five years are as follows:

1977	\$ 49,000
1978	49,000
1979	31,000
1980	3,006,000
1981	<u>6,000</u>
	<u>\$3,141,000</u>

4. CAPITAL STOCK

Majestic Wiley Contractors Limited has a stock option plan whereby certain key employees have been granted options exercisable during the period of five years from the date of the grant at a rate of 20% of the total optioned shares per year on a partially cumulative basis. Following is a synopsis of transactions and events which affected the number of shares held under option agreements during the year ended December 31, 1976:

<u>Date Option Granted</u>	<u>Price Per Share</u>	<u>Opening Balance</u>	<u>Options Exercised</u>	<u>Options Expired</u>	<u>Closing Balance</u>
April 22, 1971	\$2.625	6,930	—	6,930	—
May 4, 1971.	\$3.325	6,270	—	6,270	—
May 1, 1974	\$3.74	105,062	—	18,836	86,226
July 24, 1974	\$3.69	6,800	—	1,200	5,600
December 9, 1974.	\$1.148	13,333	3,333	—	10,000
October 27, 1975	\$2.12	9,200	—	1,380	7,820
		<u>147,595</u>	<u>3,333</u>	<u>34,616</u>	<u>109,646</u>

As of December 31, 1976, the following shares of the Company have been set aside:

For possible future stock options	6,936
For possible conversion of 7% convertible debenture	300,000
	<u>306,936</u>

Exercise of all stock options and conversion of the 7% debenture would not significantly dilute earnings per share.

5. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid to the Directors and Senior Officers for the years ended December 31, 1976 and 1975 is as follows:

	1976		1975	
	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>
Directors who are not Senior Officers	\$ 6,000	3	\$ 4,000	4
Directors who are also Senior Officers	<u>265,000</u>	<u>3</u>	<u>265,000</u>	<u>2</u>
	271,000	6	269,000	6
Senior Officers who are not Directors	<u>369,000</u>	<u>5</u>	<u>342,000</u>	<u>6</u>
	<u>\$640,000</u>	<u>11</u>	<u>\$611,000</u>	<u>12</u>

6. CONTINGENCIES

a) In connection with the contract for which a provision for future loss has been provided in the accounts, legal counsel is of the opinion that because of revised project requirements, the Company is entitled to renegotiate the unit prices, or failing agreement on revised unit prices, to calculate the contract price on a "cost plus" basis. Although negotiations are continuing, the client has not agreed with the position advanced by management and as a result a substantial claim has been filed by the Company.

The Company and its joint venture partners are currently negotiating with a client relating to a completed project in Alaska. These negotiations could lead to a settlement which could result in a significant increase in revenues.

The amount of any additional revenue that may be received cannot be accurately determined at this time, and in accordance with the Company's application of generally accepted accounting principles, as described in Note 1 (b), no portion of any additional revenue has been reflected in the accounts.

b) The Company has a pension plan which covers certain executive, professional, administrative and clerical employees, subject to certain specified service requirements. At December 31, 1976, the unfunded past service liability is approximately \$313,000 (1975 - \$353,000) which will be paid and charged to operations in equal amounts over the next 13 years. In each of the years ended December 31, 1976 and 1975, the total cost of the pension plan, including current and past service costs, amounted to \$107,000.

c) The Company has a deferred profit sharing plan and an incentive compensation plan for certain key employees which provide for payments to be made to or on behalf of such employees based on the profitability of the Company. As at December 31, 1976, an amount of \$204,000 (1975 - \$255,000) has been charged to income under the terms of these plans.

d) An action was filed in January, 1976 against a pipe manufacturer and the Company in the amount of \$7,000,000 for alleged breach of contract relating to construction methods which allegedly did not produce a satisfactory quality of work.

Management is of the opinion that the suit is without merit and has instructed legal counsel to enter its defense accordingly. The insurers are defending the action up to a maximum coverage of \$5,000,000.

e) Other contingent liabilities include the usual liability of contractors for performance and completion of both Company and joint venture construction contracts.

7. FEDERAL ANTI-INFLATION LEGISLATION

On October 14, 1975, the Canadian Federal Government announced extensive controls, to which the Company and its subsidiaries are subject, on wages, prices, and dividends. Initially, the controls will be in effect until December 31, 1978 for wages and prices.

Dividend payments are controlled under the guidelines for the period October 14, 1976 to October 13, 1977. During this period, dividends cannot exceed \$883,000.

In the opinion of management, the Company has complied with all of the regulations of the legislation.



MAJESTIC WILEY CONTRACTORS LIMITED

And Its Subsidiaries

CORPORATE INFORMATION

BOARD OF DIRECTORS:

J.M. Bankes, Chairman of the Board of the Company
J.B. Barber, Senior Vice President of The Algoma Steel Corporation, Limited
V.N. Osadchuk, President of the Company
D.B. Perini, President of Perini Corporation
R.H. Walker, Financial Consultant

OFFICERS:

J.M. Bankes, Chairman of the Board of Directors
V.N. Osadchuk, President and Chief Executive Officer
J.W. McCarthy, Executive Vice President
G.S. Hagglund, Vice President, Finance
J.K. Halladay, Secretary-Treasurer
L.G. Wasylynchuk, Comptroller

TRANSFER AGENT AND REGISTRAR:

Montreal Trust Company, Calgary and Toronto

STOCK EXCHANGE LISTING:

The Toronto Stock Exchange (symbol MWC)

AUDITORS:

Arthur Andersen & Co., Chartered Accountants

OFFICES:

Majestic Wiley Contractors Limited
10120 - 118 Street
Edmonton, Alberta T5K 1Y4
(403) 482-5921

P.O. Box 24A
R.R.#1, South Edmonton, Alberta T6H 4N6
(403) 988-6561

½ Mile Nistler Road
P.O. Box 567
Delta Junction, Alaska 99737
(907) 895-4828

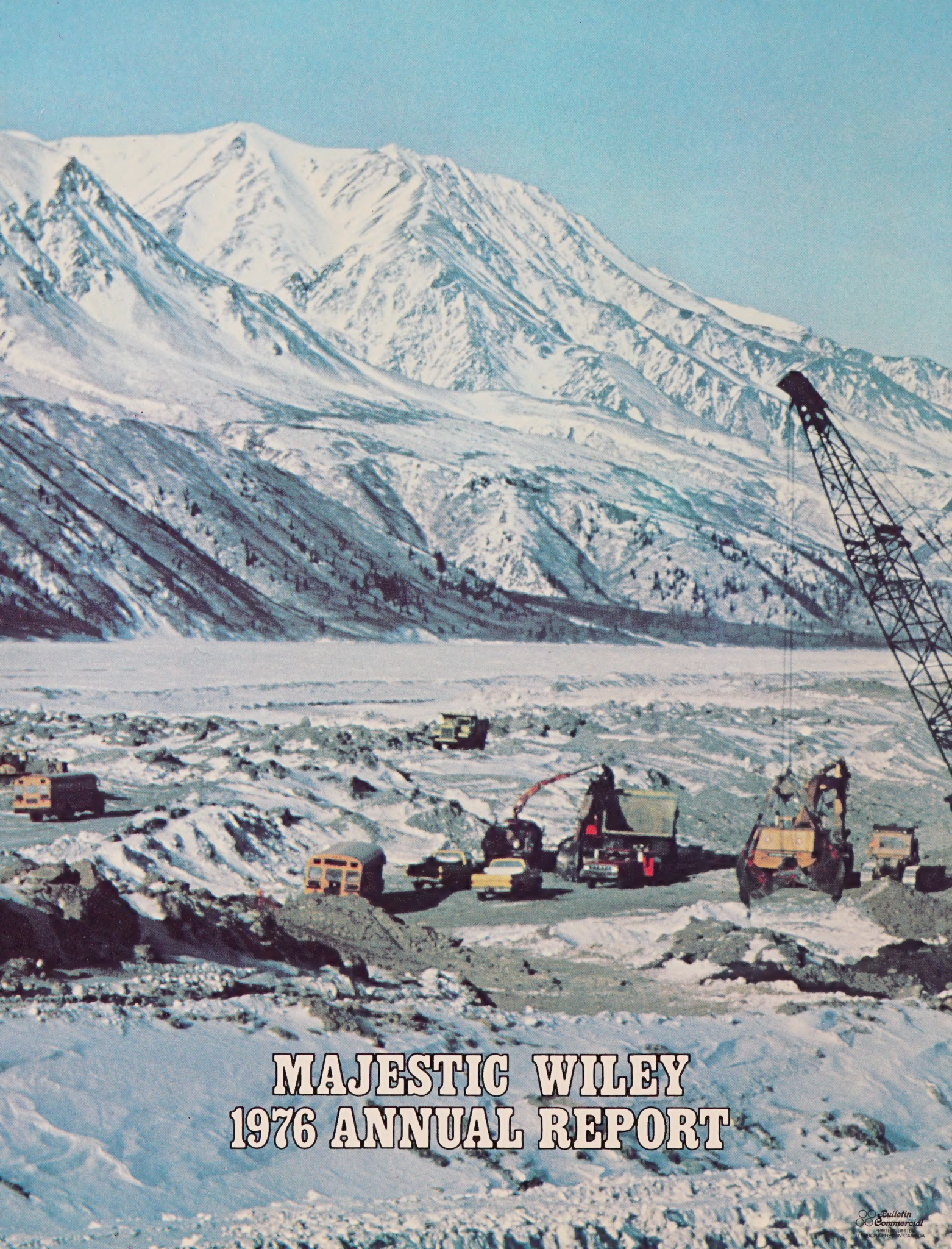
Falcon Transport Ltd.
10120 - 118 Street
Edmonton, Alberta T5K 1Y4
(403) 482-5921

J. L. Cox & Son, Inc.
777 Action Street
Odessa, Missouri 64076
(816) 633-7526

Perini Arctic Associates
2250 Cushman Street
Fairbanks, Alaska 99701
(907) 452-4481

ANNUAL GENERAL MEETING:

10:00 A.M. (M.S.T.) April 26, 1977, Klondike Room, Chateau Lacombe,
101 Street at Bellamy Hill, Edmonton, Alberta.



MAJESTIC WILEY 1976 ANNUAL REPORT

AR06

MAJESTIC WILEY CONTRACTORS LIMITED
and its Wholly-Owned Subsidiaries

Consolidated Statement of Changes In Working Capital

For The Six Months Ended June 30, 1976

(with the six months ended June 30, 1975 for comparison)
(unaudited)

	1976	1975
Source Of Working Capital:		
Net income for the period	\$2,088,000	\$1,366,000
Depreciation	1,941,000	2,213,000
Deferred income taxes	(935,000)	(671,000)
Loss (gain) on disposal of property and equipment	43,000	(65,000)
Provided by operations	3,137,000	2,843,000
Disposals of property and equipment	71,000	316,000
Sales of capital stock	4,000	—
Working capital provided	3,212,000	3,159,000
Use Of Working Capital:		
Additions to property and equipment	296,000	725,000
Reduction of long-term debt	710,000	1,388,000
Working capital used	1,006,000	2,113,000
Increase In Working Capital For The Period	2,206,000	1,046,000
Working Capital (Deficiency) At Beginning Of Period	3,946,000	(25,000)
Working Capital At End Of Period	<u>\$6,152,000</u>	<u>\$1,021,000</u>

Note:

Deferred income taxes in the amount of \$1,916,000, which were not considered to be due within two years at June 30, 1975 and, therefore, not included in current liabilities at that date, were reclassified as current liabilities at December 31, 1975. In consequence, the 1975 amounts as shown above have been restated to reflect this reclassification.



**MAJESTIC WILEY
CONTRACTORS LIMITED**

File

**SECOND QUARTER REPORT
JUNE 30, 1976**

TO OUR SHAREHOLDERS

Operating results for the six months ended June 30, 1976 are substantially higher than the comparable period in 1975 and reflect the contributions from the full level of operations achieved during the period by Perini Arctic Associates in working on Section 2 of the Trans Alaska pipeline project. Total revenue for the period amounted to \$69,422,000 and net income amounted to \$2,088,000 or 25.3c per share. Comparable figures for the six months ended June 30, 1975 were total revenue of \$31,915,000 and net income of \$1,366,000 or 16.5c per share. Working capital has increased by \$2,206,000 during the six months ended June 30, 1976 and now totals \$6,152,000 at that date.

During the second quarter, your Company's United States based pipeline stringing subsidiary received contracts for the hauling and stringing of 20 miles of 10" pipe in Texas and 8 miles of 8" and 10" pipe in Missouri. In addition, it also received a contract to haul 4 miles of 24" pipe from Oklahoma to a stockpile site in Kansas. Falcon Transport Ltd., your Company's remote area support service subsidiary, renewed a contract for services in the Mackenzie Delta with Chevron Standard Limited and, together with the existing multi-year contract with Gulf Oil Canada Limited, will again experience full utilization of equipment during the 1976-77 exploration season.

Construction activities on Section 2 of the Trans Alaska pipeline project continue to progress as planned and achieved an overall completion of 82 percent by the end of the second quarter.

The Alyeska project has attracted considerable attention recently as a result of news media releases which contain reports of poor workmanship, falsification of x-ray records, lack of quality control and construction practices which will result in a pipeline potentially hazardous to the environment, as well as being mechanically below the required standard. These and other criticisms are directed at Alyeska, quality control and the contractors and address primarily the welding of the 48" mainline pipe. Certain of the reported problems have been verified in some sections of the project, but the magnitude of the problem has been greatly overstated by the news reports.

The currently welded portion of the pipeline has produced 3,955 welds which are in the questionable category, of which 461 are in Section 2. These welds were made primarily during the 1975 construction season and their review became necessary because of the results of re-interpretation of x-ray films, misplaced or missing films and/or documentation. Of the 461 welds involved, corrective action has been taken by re-x-raying and by identifying and performing remedial work where required. Only two welds of the original 461, all of which were originally accepted by Alyeska as meeting the specifications, are still waiting final approval.

The work performed to date on the welds referred to above does not impose any financial exposure on your Company, nor is it expected to impact our completion schedule to any significant degree. To date, 51.7 miles of Section 2 of the pipeline have been successfully hydrostatically tested. The section tested contained 198 of the above mentioned welds which were in question, and 24.5 miles of the pipe which was welded during the 1975 construction season.

As a result of Alyeska's remedial actions and its termination of its independent x-ray inspection company's contract, litigation has ensued which, among other things, alleges that Alyeska, various governmental agencies and certain of the execution contractors conspired to prevent proper performance of its x-ray inspection duties. Although your Company is included as a third party defendant in this suit, it has denied any wrong doing and legal counsel feels there is no merit in the suit.

W. A. Rose
Chairman

Edmonton, Alberta
August 6, 1976

V. N. Osadchuk
President

MAJESTIC WILEY CONTRACTORS LIMITED

and its Wholly-Owned Subsidiaries

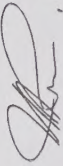
Consolidated Statement of Income

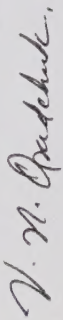
For The Six Months Ended June 30, 1976

(with the six months ended June 30, 1975 for comparison)
(unaudited)

	1976	1975
Revenues	\$69,422,000	\$31,915,000
Expenses:		
Operating	64,520,000	28,085,000
General and administrative	696,000	820,000
Interest on long-term debt	122,000	419,000
Other (income) and expenses net	(29,000)	(177,000)
Total expenses	65,309,000	29,147,000
Income Before Income Taxes	4,113,000	2,768,000
Provision For Income Taxes	2,025,000	1,402,000
Net Income For The Period	\$ 2,088,000	\$ 1,366,000
Earnings Per Share:		
On weighted average number of shares outstanding		
(1976 - 8,266,600 shares;		
1975 - 8,261,200 shares)	25.3c	16.5c

Approved by the Board:

, Director

, Director